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You have asked me to address the elements of a successful reform proposal regarding human service funding and governance. The following comments outline what I believe are some of the key considerations that should be borne in mind in pursuing this effort.

What's the problem?

It is essential to carefully define the problem that the proposal is intended to address. What specific problem or set of problems is the study intended to address? Are human service programs failing in their mission? In what particular respects? Are they inefficient in terms of the service delivered for the cost? If the problem is not well defined at the outset, staff will have little direction and risks developing a reform proposal that is vague and unfocused notwithstanding their best efforts.

Focus the inquiry and be realistic about its scope.

In addition to carefully defining the problem the reform proposal is intended to address, it is important to focus the inquiry in a manner that will result in a useful work product. The State has scores of programs that provide social services to various populations. Is the Commission seeking an inventory of these programs? If not, on which particular programs should the reform proposal focus? Is the Commission seeking a discussion of the major programs and their interrelationships? A report card on the perceived success or failure of the major programs? Given the time allotted for this effort, and limited staff resources, it is important to be realistic about what is possible in terms of its scope.

Structure the solution in terms of ways to improve outcomes.

Ultimately, the goal of program reform is to improve outcomes. For example, are foster children being better cared for so that they can grow up to lead productive lives? Are aged Californians being protected and supported in their lives in ways that help them to maintain self sufficiency? While it is far easier for us to measure inputs, such as the amount spent on a program or the number of staff supporting an effort, we should strive to define outcomes that will help determine the success of these programs.

In addition, recommendations for program reform should be directed at creating incentives for program improvement. Rather than traditional command and control prescription, staff should explore whether there are ways in which programs can be structured so as to create

incentives that foster better program outcomes. For example, if local program administrators have no financial stake in how programs perform, they are less likely to make responsible decisions. A corollary to this is the question of whether program administrators and staff face incentives that will inevitably undermine efforts to improve outcomes?

Which level of government should be responsible?

One of the critical questions in the delivery of government services is whether the service is being delivered by the appropriate level of government. Because of the complexity of funding streams supporting these programs, several levels of government likely will always be involved in program delivery. In spite of this, it is essential to structure service delivery so that the level of government actually providing the service has incentives to provide the service in the most effective, cost efficient manner possible.

This issue is at the heart of the Commission's inquiry in this instance. What is the nature of shared responsibility for these programs between the State and counties? How should these programs best be structured to ensure cost effective program delivery? How should the overall fiscal and programmatic relationship between the State and counties be structured so as to improve service delivery?

Understand the context/constraints that a reform proposal faces.

- Program funding streams. How significantly can the funding streams that support these programs be modified so as to improve incentives for cost effective program delivery? Since most of the funding for these programs comes from the federal or state government, will it be possible to sufficiently modify those funding streams to provide flexibility to deliver services in a more sensible fashion? Can the inherently "silo" nature of these funding streams (and, consequently, programs) be broken down so as to make service delivery more effective?
- Reform needs to be set in the context of the existing program structure. In responding to a perceived need, the Legislature and Executive often create a new program or impose new program requirements that are overlaid on top of the existing program rather than determining what changes to the existing program would work. This creates a patchwork of complex, sometimes conflicting requirements. In fashioning a reform proposal, it is important to be mindful of the temptation to create something new instead of determining how the existing program structure can be modified.
- Tension between accountability and flexibility. There is an inherent tension between the need for accountability on the part of the public (through the Legislature and the Administration) and the flexibility that enables program administrators to make programs effective "on the ground." Our typical response to the need for accountability is to impose command and control-type reporting requirements. To the extent that these can be replaced with incentives to achieve desirable program results and measures of program outcomes, programs will have more flexibility to respond to local conditions.

Those who have a stake in the program must be part of the conversation.

Ultimately, in order for any reform proposal to be successful, the various parties who have a stake in the program must be part of the conversation. These include funders, service providers, clients, and others. Program reform cannot be accomplished in a vacuum, and many of these participants will have ideas about how service delivery can be improved. They also may be resistant to change, but unless they are brought into the discussion, their resistance could prove fatal to any reform effort.